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INTERIM STUDY

BY THE

SUBCOMMITTEE ON TAXATION

UNIFORM FEE TAXATION AND ANNIVERSARY DATE REGISTRATION OF MOTOR VEHICLES

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A D D E N D U M

Since this study was completed, the Montana Automobile Dealers Association has funded the Research Proposal contained in Appendix A of this report. A copy of the final results of that study is available in the Legislative Council office.

Membership
Subcommittee on Taxation

Rep. Robert Watt, Chairman	Sen. George Bennett, Vice-chairman
Rep. Harrison Fagg	Sen. Fred Broeder
Rep. Allen Kolstad	Sen. Gordon McOmber
Rep. Dan Yardley	Sen. Leonard Vainio

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RECOMMENDATIONS

The Subcommittee on Taxation makes no recommendation at this time.

SENATE JOINT RESOLUTION NO. 22

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING THAT THE LEGISLATIVE COUNCIL CONDUCT A STUDY OF A STATEWIDE, UNIFORM LICENSE FEE SYSTEM OF TAXATION OF AUTOMOBILES, IN LIEU OF THE NEW CAR SALES TAX AND PERSONAL PROPERTY TAXES WITH AN ANNIVERSARY SYSTEM OF LICENSING AND REGISTRATION OF VEHICLES THROUGHOUT THE YEAR, AND IF THEY COULD FIND SUCH LEGISLATION FEASIBLE, TO DRAFT LEGISLATION FOR THE IMPLEMENTATION OF SUCH A SYSTEM.

WHEREAS, automobiles are transitory in nature, and necessitate expenditures of public funds for construction and maintenance of streets and highways, and police protection, regardless of the place of residence of the owner, and

WHEREAS, a sales tax is imposed upon new cars and property taxes are imposed on used cars, and the difference in tax rates encourages delayed registration at the end of every year to escape taxation, and

WHEREAS, the drastic variation in millage rates between counties and between local tax jurisdictions, encourages falsification of the owner's address in the registration of automobiles, thus hindering law enforcement in the indentification of stolen vehicles, tax evasion and related problems, and

WHEREAS, the present system of requiring registration of all vehicles on or before February 15 of each year causes severe hardship for county assessors, county treasurers and automobile owners, and

WHEREAS, these inequities could be eliminated by the adoption of a uniform license fee system on automobiles, without depriving towns, cities and counties of necessary revenue, and of an anniversary system of registration and licensing, and

WHEREAS, the 1972 Montana constitution authorizes the legislature to provide for such a system.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the legislative council is requested to conduct a detailed study to determine the feasibility of a uniform statewide license fee system of taxation of automobiles, at varying rates dependent upon the manufacturer's list price and the age of the vehicle, in lieu of the new car sales tax and personal property taxes, the proceeds of which would be distributed to the counties, cities, towns, school districts and other local taxing jurisdictions, to replace the personal property tax revenues now derived therefrom, and for a system of licensing and registration of vehicles through the year, on an anniversary date to be

determined on the basis of the date of first registration, the age of the vehicle or such other basis as the council may recommend, and

BE IT FURTHER RESOLVED, that if the council finds such legislation feasible, it is requested to draft legislation for the implementation of such a system.

INTRODUCTION

Automobile licensing and taxation procedures have been a source of controversy in Montana for many years. Legislative recognition of the fact that procedural difficulties and tax inequities result in hardships for county officials, loss of tax revenue due to tax evasions, and undue difficulties for auto dealers resulted in a study of motor vehicle licensing and taxation alternatives. Senate Joint Resolution No. 22, approved March 5, 1973, requested that the feasibility of a uniform statewide license fee system and anniversary date licensing be explored.

In its first meeting on May 22, 1974, the Subcommittee on Taxation assigned to study these problems determined that it must base its study considerations on the registration and taxation of all motor vehicles. The subcommittee also considered changes that could be recommended other than those mentioned in the resolution that also might alleviate problems in the present system.

Although the subcommittee was unable to make a final recommendation, considerable information was gathered during the course of the study that will be of continuing value to the legislature. This report discusses the background of Montana's taxation and registration procedures and summarizes the present status of taxation and registration fees. A study bill and proposal for further research prepared for the subcommittee are also included.

DEVELOPMENT OF MOTOR VEHICLE REGISTRATION AND TAXATION IN MONTANA

Motor vehicle taxation and registration are now so closely related that most people do not distinguish the two operations. As property, motor vehicles are subject to property tax; and to be operated upon the streets and highways, they are subject to registration and registration fees. Problems have developed in both of these areas that an understanding of each system's development should help to explain.

The legislature was to provide revenue for the support and maintenance of the state, according to the 1889 Constitution, by uniform assessment and taxation based on a just valuation for the taxation of all property.[1] To implement this measure, the Second Legislative Assembly in 1891 passed An Act Concerning Revenue, which established that all property in the state, except certain exempted property, is subject to taxation. Further, all taxable property was to be assessed at its full cash value.[2] Motor vehicle property taxation in Montana today derives from these

early legal roots.

In 1919, the Sixteenth Legislative Assembly altered the property tax procedure by providing for the classification of taxable property. "Automobiles, motor trucks and other power-driven cars, vehicles of all kinds, boats and all water craft..." were placed in Class Two to be taxed at 20% of full and true value.[3] Sections 84-301 and 84-302, R.C.M. 1947, maintain the same basic classification scheme today.

While the legislature was developing a property tax concept for Montana, and taxing motor vehicles as property, the growing numbers of motor vehicles and the attendant problems demanded other legislative attention. The Thirteenth Legislative Assembly passed two bills relating to motor vehicles; one to license them for revenue and one to register their ownership.

The first act was passed "for the purpose of raising revenue for the constructing, maintenance, and improvements of public highways." A license fee of between $5 and $20 per annum was charged depending on the horsepower of the vehicle. Revenues were collected by the county treasurer and equally divided between the County General Road Fund and the State Highway Fund. It was a misdemeanor to avoid payment of this license fee, but there was no provision for visible indication of payment to be carried on the vehicle.[4]

Registration of motor vehicle ownership was covered in a second 1913 act that required all vehicle owners to register vehicles to be "operated or driven upon the public roads or highways." Registration information included particulars as to identifying features of the motor vehicle and name, address, and residence of the owner. The law designated the Secretary of State as Registrar of Motor Vehicles and required him to keep records of registered vehicles. This law further provided that a distinctive number would be assigned by the Secretary of State to be displayed on the motor vehicle, front and rear, as an identification mark. A fee of $2 was collected for the registration and identification service.[5]

By 1917, it apparently became obvious to legislators that the functions of licensing and registration should be combined. Consolidation of the functions would provide some control over the collection of the license fee because the display of a number plate updated annually would provide visual evidence of fee payment. Chapters 71 and 73 of the Laws of the Thirteenth Legislative Assembly were therefore repealed and their provisions combined into one law. Under the new scheme, the Secretary of State collected all registration fees. (The $2 registration fee had been replaced by what had been the license fee schedule collected by the county treasurer.) From the total collected, the actual costs of making and mailing license tags was deducted. The rest of the money was then sent back to the counties and to the State Treasurer for the road and highway funds.[6]

Changes in responsibilities and procedures such as making the warden of the state prison the motor vehicle registrar and instituting a vehicle title procedure in 1925, were made by subsequent legislatures, but the basic system for vehicle taxation and registration was well established by 1920. This system recognized the basic notion that taxes are burdens placed for the general support of governmental functions while fees should have some relationship to the costs incurred in providing a service. Montana's system placed a property tax burden on motor vehicles, as on most other types of property, for the general support of government, while it also placed a registration fee designed to pay for the cost of identifying and regulating motor vehicles and providing roads for them to drive on.

The next major development in the taxation and fee procedure took place in 1933. By this time, applications for registration were made and fees were paid at the office of the county treasurer. There was, however, no consideration whether the property tax had been paid. It can be assumed that a significant number of motor vehicles escaped assessment and taxation. From 1933 on, it has been necessary to pay the taxes due on a motor vehicle prior to the registration of a motor vehicle.[7] Thus the display of the license plate became visible evidence that both license fees and property taxes had been paid on a vehicle.

With property tax payments on privately owned cars well under control, no changes in the system were made for a number of years. Problems ultimately developed with the relationship of the property tax an individual paid on his car and the tax a dealer paid on the car as a part of his inventory. Attempts to deal with this situation led through a series of legislative enactments that resulted in the new car sales tax we have today.

Assessment and levy procedures were among the problems recognized in this regard. A valid assessment is indispensable to the levy of a property tax.[8] Legislative acts specifically designating the imposition of property taxes, either as inventory taxes or personal property taxes, have normally set the date of assessment as January 1 or the first Monday in March of the year. It is therefore possible for property of the relatively great value and high mobility of a motor vehicle to arrive in the state after the assessment day on which it would have been assessed and thus escape taxation that year. This is a common characteristic of all property taxes. Some people felt this situation led to inequities.

The Legislature, in 1951, established a new car sales tax to levy a tax on vehicles not assessed a property tax and to counter whatever unfairness resulted from the existing system. Supposedly the tax was in consideration of the right to use the highways of the state.[9] While this contention is supported by the fact that revenues derived from the tax were used for highway purposes, it was belied by the fact that it was collected only on vehicles not assessed for a property tax in that year, and thus not all

vehicles paid on an equal basis for the right to use the highways. Clearly it was not as much a tax in consideration of the right to use the highways as it was an effort to tax people who purchased a vehicle that was not assessed a property tax.

Enactment of the new car sales tax did not result in equal taxation in that mill levies usually resulted in higher taxes than the new car sales tax. Inequities between the taxes paid under the property tax system and under the sales tax system led eventually to abolishing all property taxes on new cars. The new car sales tax took over the entire burden of property tax on new cars when Section 32-3315, R.C.M. 1947, was made to cover all motor vehicles, and motor vehicle dealers were exempted from the payment of the inventory property tax.[10] Now, all new cars are taxed at the given rate across the state the first time they are licensed.

But problems still exist with new car taxation. One problem is related to the fact that the sales tax rate varies from quarter to quarter. In the first quarter, the tax is 1-1/2% of the F.O.B. factory or P.O.E. price, 1-1/8% the second quarter, 3/4% the third quarter, and 3/8% the last quarter of the year. Near the end of each quarter and especially near the end of each year, auto dealers are put in a position of not selling a car until after the tax reduction or being asked to cooperate with the buyer to help him avoid paying the tax until the next quarter. Because no property tax is paid the first year, an especially great saving can be enjoyed when the new car tax can be delayed until the first quarter of the next year.[11] Extending the new car sticker by altering the information on it to extend the deadline for registration can accomplish this. Naturally an auto dealer torn between closing a sale and obeying the law is in a very unfortunate situation.[12]

Analysis of the tax also reveals an inconsistency between its stated purpose and the manner of collection. Since the tax is collected in consideration of the use of the highways and is collected only once in the life of the car, it should not matter what time of the year a car is purchased. Presumably it is not a one year tax but one for the life of the car. This situation has resulted from the confusion surrounding the development of the new car tax. It appears to be an unhealthy hybrid of a property tax system and an excise tax system, with which no one is really satisfied.

Besides dissatisfaction with the taxation of new cars is the concern taxpayers have with the variation of taxes from one area to another. Because property taxes are levied by local jurisdictions, variations are bound to occur. The standardization, relatively high value, and mobility of motor vehicles, however, make variations in property tax on them particularly visible. While tax collection authorities recognize that some motor vehicle owners can escape taxation by offering to pay the tax and purchasing a license plate in a jurisdiction that

levies lower taxes, there are no statistics to prove how many owners thus evade taxation. As long as the property tax system remains a local operation and motor vehicles are subject to the tax, variations are certain to exist.

Motor vehicle taxation and registration procedures have thus developed piecemeal over the years. The next section of this report summarizes the present taxation and registration statutes that pertain to motor vehicles.

PRESENT STATUS OF MOTOR VEHICLE TAXES AND FEES

Taxes

1. Property taxes collected:
   (a) Automobiles, motor trucks, and other power-driven cars, vehicles of all kinds except mobile homes, are Class 2 in accordance with Section 84-301.
   (b) Class 2 is taxed at twenty percent (20%) of its true and full value by Section 84-302.

2. Time of assessment for property tax by Section 84-406.
   (a) January 1:
      (1) All motor vehicles, except mobile homes and motor vehicle dealer's inventory.
      (2) Snowmobiles except dealer's inventory.
      (3) Campers except dealer's inventory.
   (b) First Monday in March:
      (1) Snowmobiles as dealer's inventory. (Class 3 @ 33-1/3%)
      (2) Campers as dealer's inventory. (Class 3 @ 33-1/3%)
      (3) Special mobile equipment not previously assessed.
   (c) Between January 1 and the first Monday in March: Special mobile equipment, if a place is applied for.

3. New car sales tax -- Section 32-3315:
   (a) Collected at a rate decreasing four times a year.
   (b) Collected in lieu of all other taxes that year.

4. Proof of tax payment:
   (a) Motor vehicles -- registration plate.
   (b) Special mobile equipment -- SM plate.
   (c) Campers -- tax paid decal.
   (d) Snowmobiles -- tax paid decal.

5. Disposition of taxes collected:
   (a) Property tax 1973-1974 (Source: Montax Association)
      (1) State 5%
      (2) County 23%

(3) Schools 56%
(4) Cities and towns 14%
(5) Miscellaneous 2%

(b) New car sales tax is credited to the state highway Earmarked Revenue Account (ERA).

Fees

1. Fees collected:
   (a) Motor vehicle license fee: Section 53-122.
      (1) Motor vehicle dealers: $30 for first two sets of plates plus $5 for each set of plates up to six sets plus $2 for each additional set of plates.
      (2) Motorcycle and trailer dealers: $30
      (3) Motor vehicles under 2,850 G.V.W., not trucks: $5
      (4) Motor vehicles over 2,850 G.V.W., not trucks: $10
      (5) Electric passenger vehicles: $10
      (6) Motorcycles: $2
      (7) Tractors and trucks: $10
      (8) Trailers under 2,500 G.V.W. and housetrailers: $2
      (9) Trailers between 2,500 and 6,000 G.V.W.: $5
      (10) Trailers over 6,000 G.V.W.: $10
      (11) Trailers used for special hauling, e.g. of logs: $15
      (12) Bicycles with motor: $1
   (b) Reflectorization fee: Section 53-106: $.50 per year.
   (c) Junk vehicle fee: Section 69-6807:
      (1) On vehicles under 8001 G.V.W.: $1 per year.
      (2) Note that $4 is owed on each title transfer including original titling.
   (d) G.V.W. fees: Chapter 32-33: An involved schedules breakdown of fees owed by motor trucks and truck tractors based on the maximum gross loaded weight. There are alternative and exception schedules based on various uses. The fees range between $3.50 to $543.75 on the standard schedule with additional fees owed on other vehicles. These fees are in addition to all other fees.
   (e) Drive-away or tow-away transporter fee: Chapter 32-34 in lieu of other fees:
      (1) $100 permit fee.
      (2) $1 fee for transit plates.
      (3) $5 trip fee.
   (f) Special mobile equipment fee: Section 32-3707 $5 in addition to all other fees.
   (g) Camper fee: for tax paid decal; $1 -- Section 53-645.
   (h) Snowmobile fee: for tax paid decal: $2 -- Section 53-1025.
   (i) Personalized plates: Section 53-153: $20 original, $5 for transfer or renewal.

2. Disposition of fees:
   (a) Motor vehicle registration fee: Section 32-3701: all license and registration fees go into the county motor vehicle fund. The county motor vehicle fund is then

segregated into the city and county road funds.

(b) Motor vehicle fees other than above: Section 53-122: motor vehicle ERA to pay the cost of licensing and registration.

(c) Reflectorization fee: Section 53-106: Deposited in the motor vehicle recording ERA.

(d) Junk vehicle fee: Junk Vehicle Disposal Program ID 5301-0612 (authority unclear).

(e) G.V.W. fees: Section 32-3204: 5% to the county, 95% to Highway ERA.

(f) Drive-away or tow-away transporter fees -- same as (e).

(g) Special Mobile Equipment fee: Section 32-3701: County Road Fund.

(h) Camper fee: Section 53-645: Department of Revenue.

(i) Snowmobile fee: Section 53-1025: Fish and Game ERA.

(j) Personalized plates: Section 53-153 Motor Vehicle Recording Account, Earmarked Revenue Account.

TAXATION AND REGISTRATION TAXATION IN OTHER STATES

Taxes on motor vehicles in the several states are collected in a myriad of ways. This section provides a digest of ways these taxes are collected. In addition, more detailed information is presented on some states for which specific interest has been expressed. Similar information is available on all states. The source of this information is the "Forty-first Edition, Digest of Motor Laws, 1974" by the American Automobile Association.

Type of tax and basis	Number of states
Personal property tax	
State	10
County	12
City	9
School	3
Statewide	1
State Sales tax	
Full sales price	22
After trade-in	14
"Use" tax (when no sales tax is paid or in lieu of "sales tax") sometimes plus sales tax	
Full sales tax	12
After trade-in	6
License fees like a tax (excise tax is synonymous to	

privilege tax)

California	2% market value per year
Colorado	specific ownership tax (descending percentage)
Delaware	document fee 2% net cost
Indiana	excise tax on new price plus age in lieu of property tax
Maine	municipal excise tax in lieu of personal property tax
Maryland	title or excise tax 4%
Massachusetts	annual excise tax based on value
Nevada	privilege tax 35% book at $4 per $100
New Mexico	excise tax 2% at time of titling
South Dakota	registry tax first time 3%
West Virginia	5% privilege tax first titling

Descriptions Of Types Of Staggered Registration Systems Employed In Other States

Arkansas — Registration expires on anniversary date; date is shown on validation sticker; the plate is permanent and remains with the owner.

Connecticut — Registration expires on anniversary date; stickers validate annual registration; plates are permanent and must be returned to the state when the vehicle is sold.

Delaware — Registration expires on anniversary date; date and year of expiration are shown on validation sticker; the plate is permanent and remains with the car upon sale.

Idaho — Registrations expire periodically in January through October depending on the last digit on the plate; the validation sticker shows expiration year of the registration; plates are issued in five year cycles and remain with the owner on sale of the vehicle.

Indiana — Registrations expire periodically from January through June; license plate is issued annually and plate remains with the owner.

Kansas — Registrations expire monthly depending on the first letter of the last name; the month and year of expiration is indicated on the plate; the plate is issued annually and remains with the seller when the car is sold.

Massachusetts — Registration is staggered on a monthly basis and is for a period of two years; a sticker shows the

month and year of expiration; the plates are permanent and remain with the original owner.

Missouri — Registration is staggered monthly; plates are stamped with the month of expiration; new plates are issued yearly and remain with the original owner when the car is sold.

Nevada — Registrations expire on a 12 month staggered basis; a sticker is used to validate each year; plates are permanent and remain with the original owner when sold.

New Jersey — Registrations expire on the 12th month following previous registration; validation is by a windshield sticker that indicates month of expiration; plates are permanent and remain with original owner when the car is sold.

New York — Registration expires on a staggered basis; annual validation is shown by a window sticker; plates are permanent and belong with the original vehicle owner when the vehicle is sold.

Oregon — Registrations expire monthly on a two year basis; current validation is shown by a sticker on the plate; plates are permanent but a change to reflectorized paint is now taking place; plates stay with the vehicle when it is sold.

Virginia — Registrations expire on a staggered basis from May to February; annual update is shown with a sticker showing year and month; plates remain with original owner when the vehicle is sold.

West Virginia — Registration expiration staggered; new plates issued; plate remains with seller when car is sold.

Wisconsin — Registrations expire on a staggered monthly basis; validated by stickers on the plate; plates reissued in alternate years; plates remain with original owner when a car is sold.

Specific Information On Several States

COLORADO

Motor Vehicle Registration

1973 registration expires at midnight December 31, 1973; period of grace to February 28, 1974.

1974 plates (two), white on green reflectorized.

1974 plates may be first used on January 1, 1974.

Application for registration must be made to office of the county clerk and recorder of the county where applicant resides, except the city of Denver, where it is the Denver Motor Vehicle Department, 675 S. Broadway.

Registration fees: Cars up to 2,000 lbs., $7.50; 20¢ for each 100 lbs. from 2,000 to 4,500 lbs. Over 4,500 lbs., $14 plus 60¢ for each additional 100 lbs. Periodic reductions; 1/4 off April 1; 1/2 off July 1; and 3/4 off October 1.

Duplicate plates, $1; duplicate registration card, $1.25.

Plates remain with seller when car is sold; fee for transfer of plates to another car, $1, plus 20¢ per cwt. for any additional weight.

A vehicle not previously registered in Colorado must be in the state before it may be registered.

Nonresident must register vehicle within 30 days after becoming Colorado resident or 30 days after becoming gainfully employed in the state.

Nonresident servicemen on duty may retain the current vehicle registration from any other state.

Personal Property, Sales and Other Taxes

Specific ownership tax in lieu of personal property tax on motor vehicles and trailers.

Specific ownership tax is collected at time license is issued. 1st year of service, 2.10% of factory list; 2nd year, 1.50% of factory list; 3rd year, 1.20%; 4th year, .90%; 5th through 9th years of use, .45%. 10th or later year of use, $3. Fees are prorated on the 16th day of each month.

State sales tax, 3% on new and used cars. Local sales tax of 3% added in Denver County. 1% or 2% added in some other cities and counties. Tax based on balance after deduction of credit for trade-in when purchased from a dealer. No allowance for trade-in when transaction is between individuals, or when a car is purchased outside the state.

State gasoline tax, 7¢.

ILLINOIS

Motor Vehicle Registration

1973 registration expires at midnight, December 31, 1973, may be extended for any period not beyond March 1, 1974.

1974 plates (two), maroon on white, reflectorized.

1974 plates may be first used December 1, 1973.

Application for registration may be made to Secretary of State, Centennial Building, Springfield 62706 or at one of four Chicago offices. Passenger registration can be accomplished at 205 banks throughout the State.

Registration fees; based on horsepower: 35 or less, $18; over 35, $30. Half-year fee charged if vehicle purchased after June 15. No refund on unexpired plates.

Duplicate plates for passenger cars, $4 each or $6 for pair; duplicate registration card, $2.

Plates remain with seller when car is sold; transfer fee, $2 for same or lower horsepower classification; additional fee if horsepower increased.

Car purchased in another state may be registered in state prior to entry, if Illinois address is established.

Nonresident must register vehicle in state at expiration of time granted by reciprocity agreement with home state. Plates must be applied for as soon as residence is established.

Personal Property, Sales and Other Taxes

Personal property taxes levied by counties at varying rates on partnerships, corporations and trusts; individuals exempt.

State's sales tax, 4% on new and used cars purchased from dealers.

Local sales tax 1% levied by many cities and counties. Credit allowed for sales or use tax paid in another state. Tax based on net price after deducting trade-in allowance.

State gasoline tax, 7-1/2¢.

INDIANA

Motor Vehicle Registration

1973 passenger car registrations expire on a staggered basis each month from January through June, 1974, no period of grace. All other vehicle registrations expire last day of February.

1974 license plate (one), black on white, reflectorized.

1974 plate may be first used on January 1, 1974.

Application for registration must be made in county where applicant resides.

Registration fees; Passenger vehicles, $12.25. Fees reduced one-half on August 1. No refund on unexpired plate.

Excise tax due on passenger cars, motorcycles and trucks with declared gross weight not exceeding 11,000 lbs. is collected at time of plate purchase. (See tax section.)

Duplicate plate, $3.75; optional replacement plate, $3, if mailed, 75¢ additional; duplicate registration card, fee, $1.

Plates remain with seller when car is sold; transfer fee, $3.25 plus any excise tax.

Car purchased in another state may be registered in Indiana prior to entry; must have an identification check and certified by enforcement officer on prescribed form.

Nonresident must register vehicle as soon as permanent residence is established or after residing in state 60 days.

Serviceman on active duty in Indiana may maintain vehicle registration in another state. Indiana serviceman on duty out of state may receive Indiana vehicle registration upon request.

Personal Property, Sales and Other Taxes

State has excise tax which replaces personal property tax on all passenger cars, motorcycles and trucks with declared gross weight not exceeding 11,000 lbs. To compute tax, all autos are placed in one of ten groups (See Table A) and age and resulting tax figured (See Table B).

VEHICLE CLASSIFICATION TABLE (A)

Class for Excise Tax	New Auto List Price
Class I	0 - $ 1499
Class II	$1500 - $ 2249
Class III	$2250 - $ 2999
Class IV	$3000 - $ 3999
Class V	$4000 - $ 5499
Class VI	$5500 - $ 6999
Class VII	$7000 - $ 8499
Class VIII	$8500 - $ 9999
Class IX	$10,000 - $12,499
Class X	$12,500 and over

VEHICLE EXCISE TAX TABLE (B)

Yr. of Mfg.	CLASS -- I	II	III	IV	V
1st	$12	$36	$60	$96	$132
2nd	12	30	51	84	114
3rd	12	27	42	72	96
4th	12	24	33	60	78
5th	12	18	24	48	66
6th	12	12	18	36	54
7th	12	12	12	24	42
8th	12	12	12	12	12
9th	12	12	12	12	12
10th	12	12	12	12	12

Yr. of Mfg.	CLASS -- VI	VII	VIII	XI	X
1st	$168	$206	$246	$300	$400
2nd	147	184	220	268	345
3rd	126	154	186	230	300
4th	104	127	156	196	259
5th	82	101	128	164	220
6th	63	74	98	130	180
7th	49	60	75	104	149
8th	30	40	54	80	120
9th	--	21	34	40	60
10th	--	12	12	12	12

And thereafter tax prorated according to registration month.

State has personal property tax, which is assessed by local townships on all vehicles except automobiles, motorcycles and trucks with declared gross weight not exceeding 11,000 lbs.

State sales tax, 4% on new and used motor vehicles. Tax on vehicles purchased from an individual or outside state must be paid to license branch at time of title application. Allowance on tax for trade-in and federal excise tax when invoice proof furnished.

State gasoline tax, 8¢.

MASSACHUSETTS

Motor Vehicle Registration

Staggered two year passenger registration; no period of grace. (Commercial, special, and vanity plates are issued on a calendar year basis and expire midnight December 31 of year issued. No grace period.)

Plates (two), red on white, validated by sticker indicating month and year of expiration.

Application for registration must be made to Registry of Motor Vehicles, 100 Nashua Street, Boston, or branch offices throughout the state. Due to compulsory insurance law, registration applications must be certified by an officer of an approved insurance company or agent, before being presented to Registry.

Registration fees: $6 fee per year for all passenger cars. No refund on passenger car plates.

Duplicate plate, $3; duplicate registration certificate, $3.50.

Plates remain with registrant, who may transfer them to another vehicle owned by him; transfer fee, $3.

Car purchased in another state may be registered prior to entry.

Nonresident must register vehicle in Massachusetts at expiration of time granted by reciprocity agreement with home state. Under Compulsory Insurance Law, $5,000/10,000 limits of public liability required after 30 days. Policy, or a certificate stating that such a policy has been issued, must be in the vehicle during operation and must cover any person driving vehicle with owner's express or implied consent. Non-resident students must file vehicle information form with police dept. of municipality in which school is located. Plates must be purchased immediately if residence is established.

Servicemen on active duty in Massachusetts may maintain vehicle registration in their home state.

Personal Property, Sales and Other Taxes

No state personal property tax.

State Sales Tax, 3% on purchase price of new and used cars. Tax based on balance after deduction of credit for trade-in.

State Use Tax, 3% on new and used cars purchased out of state and registered in Massachusetts within six months. Tax based on full purchase price. Sales tax paid in state where purchased may be deducted from amount due in Massachusetts.

State levies excise tax annually based on percentage of car value.

State gasoline tax 7-1/2¢.

MINNESOTA

Motor Vehicle Registration

1973 registration expires at midnight, December 31, 1973, plates may be used until March 1, 1974.

Passenger car plates, transparent orange on reflective silver.

1974 plates or stickers may first be used on November 15, 1973.

Application for registration must be made to Motor Vehicle Services Division, St. Paul, or authorized deputies throughout state.

Registration fees: Based on $10 fee plus a tax equal to 1.25% of the advertised delivered price including destination charges and standard equipment only. Tax reduced annually 10%, 2nd yr. 25%, 3rd yr. 40%, 4th yr. 55%, 5th yr. 65%, 6th yr. 70%, 7th yr. 80%, 8th yr. 85%, 9th yr. 90%, 10th yr. $12 min. Monthly reductions on vehicles in Minnesota for first time. Refund granted on cars destroyed or removed from state.

Duplicate plate, $2.50; duplicate registration card, 25¢.

Plates transferred with vehicle upon transfer of title; transfer fee, $2.

Car purchased in another state may be registered in state prior to entry.

Nonresident must register vehicle in Minnesota at expiration of time granted by reciprocity agreement with home state. Plates must be purchased within 60 days after permanent residence is established.

Servicemen on active duty in Minnesota may maintain out-of-state vehicle registration.

Personal Property, Sales and Other Taxes

No state personal property tax.

State sales and use tax, 4%.

State gasoline tax, 7¢.

Wheelage tax, $5 in Ramsey county.

OREGON

Motor Vehicle Registration

Registration plates expire on a monthly schedule; no official period of grace.

During 1974 Oregon will validate the current permanent passenger plate (yellow on blue) with a date sticker.

Stickers may be used upon issuance.

Application for registration must be made to Motor Vehicle Division, Salem, any field office, or authorized agents located throughout state.

Registration fees: $20 flat fee. Vehicles are registered for a period of 24 consecutive calendar months, one-twenty-fourth of registration expiring at end of each month. Will start issuing reflectorized plates as current plates are depleted, added fee: $1--2 plated vehicles; 50¢--1 plated vehicle. Reflectorized plates will be blue on yellow-gold.

Replacement plates, $1 each; duplicate registration card, $1; replacement stickers, $1.

Plates remain with car when sold; title transfer fee, $2.

Car purchased in another state and brought to Oregon for title and registration requires physical inspection of vehicle identification by DMV; Fee $5.

Nonresident need not register vehicle in Oregon until current registration expires.

Serviceman on active duty in Oregon may maintain out-of-state vehicle registration.

Personal Property, Sales and Other Taxes

No state sales tax or personal property tax on registered vehicles, except on mobile homes and fixed load vehicles.

State gasoline tax, 7¢.

UNIFORM FEE TAXATION AND ANNIVERSARY DATE REGISTRATION

Senate Joint Resolution No. 22 directed that systems of uniform fee taxation and anniversary date registration be studied to determine if it would be feasible to establish them in Montana. This section discusses some types of uniform fee system and their characteristics and describes anniversary date registration.

Uniform Fee Taxation

The first section of this report mentions the fact that owners of motor vehicles have historically been assessed both taxes and fees. Fees have normally been either small registration fees to pay the cost of ownership registration services or slightly larger fees for the construction and maintenance of roads. Fees of the first type have usually been standard for all motor vehicles. Use fees commonly vary with some characteristic of the motor vehicle; for example, in Montana, fees are lower for vehicles under 2,850 pounds and higher for those over 2,850 pounds. Use fees have also been based on a combination of characteristics, such as weight times horsepower.

Whatever their basis, these fees are generally levied for a specific purpose or service related to the operation of motor vehicles. Motor vehicle taxes, on the other hand, are usually used to pay for general government services. These taxes can take a number of forms. One of the most common forms is the ad valorem property tax that Montana uses. Other types of taxes include: "in lieu of taxes" paid in lieu of a property tax; excise taxes replacing property taxes; wheelage taxes (similar to a poll tax on a vehicle); or no tax at all.

The "uniform fee system" of taxation mentioned in the resolution refers to an excise tax system based on the manufacturer's advertised delivery price of a vehicle when it is first offered for sale, this system is employed in the state of Indiana. (See the information on Indiana in the previous section of this report.) Were such a system implemented in Montana, the owner of a motor vehicle of a certain model and year would pay a uniform tax statewide for the privilege of operating that vehicle on the highways. Depending on how the law is written, a vehicle that is not to be operated may or may not be taxed.

Were sufficient statistical data available to the legislature, a uniform excise tax system could be established that would derive the same amount of revenue statewide as is now collected through the property tax. Whether individual tax jurisdictions would receive approximately the same revenue would depend on the system established for collection and disbursement of the tax money.

At the present time, motor vehicle tax revenues are collected in the counties and disbursed to the proper state and local recipients by the county treasurer. Were this system to be followed with a uniform excise tax, some counties would receive more money from the tax and some less than they are now receiving.

An alternative system would allow the tax to be collected by state or local agencies, be consolidated with a state fund, and be disbursed to the counties from that fund. The money would be distributed in proportion to an average total levy in a county. This system tends to equalize revenue now derived from motor

vehicles in the counties with revenue they would derive under the excise tax, but the burden of tax payment would shift. This system would distribute revenue from low levy districts to high levy districts and equalize the tax burden on individual taxpayers in those districts in the process. Prediction of the precise magnitude of the shift requires further statistical research.

Other factors that should be considered are:

1. Depending on how the tax fee schedule is set up, the tax burden could tend to shift from newer high value vehicles to older lower value vehicles.

2. Revenue derived from a fee system would be fixed in law and would require regular legislative attention to assure the same relative revenue from vehicles. This is true because vehicle value will tend to increase over the years while the fee schedule would be fixed.

3. A fee system would result in the loss of "taxable value" in the several districts. Since bonding authority would thus be reduced, an offsetting procedure such as considering the tax revenue to have been derived from a property tax and computing in reverse to determine a taxable value, would have to be used.

4. Some equipment such as special mobile equipment might escape taxation by being licensed as a motor vehicle.

Since little information is readily available as to the exact type and age of motor vehicles and as to average taxes now paid by motor vehicles, it is impossible to predict the exact effect a given tax structure would have. Should the legislature desire to impose a uniform excise tax system with predictable results, extensive statistical information would have to be gathered.

Anniversary Date Registration

Staggered registration has been used in a number of states for years with apparently good results. Nearly all county officials who work with registration in Montana believe something should be done to improve the present system. Some officials believe staggered registration is absolutely necessary, but a surprising number do not think it is the answer. As it is now, auto taxation and registration occurs during a slack period in county offices. Small offices especially would probably need more employees throughout the year to accommodate a staggered system.

Several systems of staggered registration are in use across the country. Some states such as Indiana, base their system on the inital letter of the vehicle owner's last name, and stagger registration over less than a full year. Idaho staggers its registration over ten month periods and uses the last digit on the

license plate as a basis for the registration schedule. Senate Joint Resolution No. 22 requested an anniversary date system such as that used in Oregon. Registration periods are based on the anniversary of the first registration of the vehicle in the state.

9Anniversary date registration staggers registrations over the entire year. Regardless when a person first registers a vehicle, that registration is valid for a full registration period (two years in Oregon). A sticker on the license plate indicates the month and year the registration expires.

Staggered registration systems are generally employed together with some sort of uniform tax system. Property tax systems are based on uniform assessments of value at a given time, and property taxes are assessed against the owner of the property at that time. A fairly imposed property tax cannot be based on a series of assessment days, thus staggered registration would force separation of assessment day and registration by many months in some cases. Such a system would be extremely difficult to administer. When a uniform excise tax system is used, the problem of property valuation is skirted and the system is much simpler.

MAIL ORDER REGISTRATION SYSTEM

Concern with the present taxation and registration system is twofold as has been previously discussed. Tax variations inherent in the property tax, however, are not unique to motor vehicle taxation. The basic system of locally levied and locally expended property taxes causes taxes to be higher in some areas than in others. Changing one part of the total property tax system would not result in changing this situation; indeed it could compound the problem. Changing the registration system to coordinate with the property tax system could, however, alleviate the waiting lines and the overworking of county offices without affecting the function of the rest of the system.

Preassessment and mail order registration could accomplish such relief. One idea for a mail order system would be as follows:

1. Records in property valuation (Department of Revenue and county assessors) would show the vehicle identification number, owner, and address for all vehicles. The school district would also be shown.

2. The assessor would fill out an assessment on a form that could also be used by the county treasurer for billing purposes. Cross checking could be done in the assessor's office before billing for greater accuracy.

3. The treasurer would compute taxes and fees owed and bill

the owner.

4. The owner would appear at the treasurer's to pick up the plates and pay the bill. If desired, the form could have a place for ordering certified mail delivery of the plates with the cost paid by the taxpayer.

5. Assessment as above could be centralized state function. Computerization is the key to any such system.

A system like the above would be especially valuable if used in conjunction with a permanent license plate system. Once the plate is purchased, its number would belong to the owner forever. (A new one would be bought only when the old one wears out.) The stability of this system would aid law enforcement to establish vehicle ownership quickly. In addition, according to the Registrar of Motor Vehicles, Malcolm MacCalman, it would save $850,000 per year in materials cost and reduce the waste of energy and metal characteristic of the present system.

SUBCOMMITTEE DELIBERATIONS

The subcommittee held three meetings at which the subject matter of SJR No. 22 was discussed. At the first meeting, May 2, 1974, the subcommittee determined that its deliberations should include the taxation and registration of all motor vehicles. The second meeting, July 1, was devoted to hearing public testimony. At the third meeting, September 30, the subcommittee considered a bill drafted at its request and discussed the necessity of further study.

Testimony at the second meeting was presented by representatives of the Montana Association of Counties, the County Assessors Association, the County Treasurers Association, the Department of Revenue, the Registrar of Motor Vehicles, and the Montana Automobile Dealers Association. Appendix C contains summaries of the testimony and copies of some of the written testimony presented at the hearing.

The bill prepared for consideration was discussed at length by the subcommittee at the third meeting. Effects of the proposal on the property tax base were discussed and it was determined that statistical research would be required before a decision could be made. The subcommittee then requested that a proposal for further research that was prepared for it by Dr. James Nelson of Montana State University be approved by the Legislative Council and that an additional subcommittee meeting be approved if the research request was granted. Dr. Nelson's proposal is included in Appendix A, and the draft bill is included in Appendix B.

At its October 4 meeting, the Legislative Council, declined to approve the request for further study because it seemed that the time remaining for the study to be done and lack of subcommittee consensus as to recommending a new tax system did not justify the expense. A letter to the subcommittee Chairman, Representative Watt, from Senator Graham, Council Chairman is included in Appendix E.

FOOTNOTES

[1] Section 1, Article XII, Constitution of Montana 1889.

[2] Laws of Montana, 1891, p.73.

[3] Chapter 51, Laws of Montana, 1919.

[4] Chapter 71, Laws of Montana, 1913.

[5] Chapter 73, Laws of Montana, 1913.

[6] Chapter 75, Laws of Montana, 1917.

[7] Chapter 158, Laws of Montana, 1933.

[8] Schwartz v. Berg, 14 Mont 178; 411 p. 2nd 736.

[9] Chapter 219, Laws of Montana, 1951, Section 3.

[10] Chapter 290, Laws of Montana, 1967, Section 5.

[11] Section 32-3315, R.C.M. 1947.

[12] Conversation with Jerry Raunig, Executive Vice President, Montana Automobile Dealers Association.

APPENDIX A

RESEARCH PROPOSAL

FOR

MONTANA LEGISLATIVE COUNCIL

REGARDING

SENATE JOINT RESOLUTION NO. 22

by

James E. Nelson, Ph.D.

Montana State University

September 1974

Background of the Problem

Senate Joint Resolution No. 22 has been approved, requesting the legislative council to:

> conduct a detailed study to determine the feasibility of a uniform statewide license fee system of taxation of automobiles, at varying rates dependent upon the manufacturers' list price and the age of the vehicle in lieu of the new car sales tax and personal property taxes . . .

Robert Pearson, legislative researcher to the council has asked that a proposal be submitted which would outline research relating to the above portion of Senate Joint Resolution No. 22. The following proposal is in response to his request.

It should be noted before proceeding that nothing in this proposal bears on a second part of Senate Joint Resolution No. 22 concerned with "a system of licensing and registration of vehicles through the year . . ." Further, it should also be noted that the author's role in this problem is intended to be confined only to questions of statistical expertise and technical feasibility relating to any system of uniform license fees. Advocacy of a system's continuance or change goes beyond the scope of this research.

Research Objectives

The primary objectives of this research are:

1. to compare for selected Montana counties the county tax revenue actually derived under their respective present systems of automobile and truck taxation to that under a system similar to the State of Indiana and

2. to provide sufficient flexibility in the presentation of results to allow predictions of tax revenues based on tax rates different than those used by Indiana.

Method

Pertaining to the above research objectives, a random sample of 1974 passenger and truck registrations filed in Deer Lodge will be undertaken for selected Montana counties. Sampled vehicles will be classified into one of ten classes based on make and year of manufacture, model, and body style. For each class, a tax will be applied to each vehicle in the class based on the Indiana rate. The data will be analyzed to yield an average tax figure for all sampled vehicles and a sample frequency distribution of vehicles registered by class and by year. An example of final report results is shown below in Table I.

Table I: County A Sample

Frequency Distribution of Passenger Cars and Tax Estimates, 1974

Year of Manufacture	Class I	II	III	IV	V	VI	VII	VIII	IX	X
1974										
1973										
1972										
1971										
1970										
1969										
1968										
1967										
1966										
1965 and earlier										

Average Tax Paid = $ (Indiana Rate) $ (Actually Received)
Standard Deviation = $ (Indiana Rate) $ (Actually Received)

Statistical Estimate of 1974 County A Passenger Car Taxes as of August 31, 1974 = $ ± (based on Indiana Tax Rates)

Statistical Estimate of 1974 County A Passenger Car Taxes as of August 31, 1974 = $ ± (based on what County A actually received for the sampled vehicles)

Table I would contain percentage figures in each cell, showing what percent of the sample of County A's automobile registrations fell in what class and year.

From this data, sample Average Tax Paid figures and sample Standard Deviation figures for both Indiana rates and present taxes actually received would be calculated. These statistics would be used to estimate:

1. Total County A revenue derived from all passenger cars registered in the county during the time period, based on Indiana rates and

2. Total County A revenue derived from all passenger cars registered in the county during the time period, based on what County A actually received for the vehicles sampled.

These estimates can be compared to each other and to the monies actually received by the county for all cars registered during the

time period.

Similar tables would also be prepared for each county studied for its truck registrations.

Sample Sizes and Counties

From a statistical standpoint, sample size is primarily dependent on two factors: the precision desired in the results and the diversity or heterogeneity of the population under study.

Precision is concerned with the allowable error inherent in results because a sample and not a complete census has been taken. Precision levels can be interpreted as the confidence one has in accepting results and are frequently set at 95 or 99 percent. That is, if one were to repeat independently the entire random sampling process, coming up with new and different samples a great many times, one would get similar results 95 or 99 percent of the time. To be 95 percent confident requires a smaller sample than to be 99 percent confident.

The diversity or heterogeneity of the population to be studied also affects sample size. If the population studied is very similar (all members are alike, for example), only a small sample is needed. On the other hand, if all population members are diverse, one needs a larger sample.

Finally, from a statistical standpoint, sample size is also secondarily dependent on population size. For example, a sample size of 2,500 may theoretically be needed, based on desired precision and population diversity, but because the population is small, fewer observations are called for (in this example, if the population were 10,000, the sample size actually needed would reduce to 2,000).

From a practical standpoint, sample sizes are further influenced by available time, money, and personnel resources. Lack of any of the above necessitate changes from what is determined theoretically.

With the above discussion in mind, recommended sample sizes and counties to be sampled are shown in Table II below.

Table II

Recommended Counties and Sample Sizes

County	1974 Automobile Registration Estimate	Sample Size	1974 Truck Registration Estimate	Sample Size

Cascade	60,000	3,000	25,000	2,650
Custer	7,000	2,650	4,500	1,800
Silver Bow	25,000	2,100	15,000	2,500
Total		7,750		6,950

Counties were selected on the bases of 1973 registrations, geographic location, and political significance. Other similar counties could be added or could replace those selected if desired.

Sample sizes shown in Table II would yield an estimate of county taxes plus or minus approximately $1.00 to $1.30 per vehicle registered. This procedure would provide this estimate approximately 9 times in 10.

It should be stressed that other counties could be added if desired. The three counties above constitute approximately 20% of all 1974 car and truck registrations in the state; the sample size of 14,700 observations constitutes approximately 2%. While desirable from a statistical and informational standpoint, the addition of other counties would increase the cost in terms of time, money, and personnel.

Schedule and Price

To collect the information needed for this research will require approximately 250 man-hours. Editing, coding, and keypunching will require approximately 50 man-hours. Analyzing and interpreting the data will require an additional 10 hours and summarizing results in a final report will require approximately 10 hours.

The data collection phase of the research will be complete by October 25, 1974. The final report will be complete by November 29, 1974. Both completion dates above assume authorization to proceed is received by October 4, 1974, and that registration files are ordered numerically for the three counties involved by October 11, 1974.

The price is $900, plus direct expenses. Direct expenses will not exceed $1,050, broken down as follows:

Data Collection	$ 750
Keypunching and computer related expenses	250
Contingency	50
Total	$1,050

One half of direct expenses shall be payable as authorization to begin the study to establish computer budgets and compensate data

collectors. The balance of all monies involved shall be payable upon delivery of the final report.

All computer output, cards, coding forms and data collection forms shall be delivered to the Legislative Council with the final report. Additional copies of the final report will be made available at cost to the Legislative Council.

Researcher Qualifications

The author's qualifications include: an academic background in marketing, management, and statistics; experience as a researcher for a recently completed Ph.D. thesis at the University of Minnesota; and researcher experience at Montana State University for local businesses involving statistical and computer-related techniques and facilities.

Assisting in this project would be five or six M.S.U. student research assistants. These students would be juniors or seniors enrolled in Commerce 446, Marketing Research, autumn quarter, 1974. The assistants would be selected by the author on the basis of his assessment of their research capabilities. All members of the research team would be personally, as well as professionally, interested in the project.

Modifications

Minor modifications can be made to this proposal without affecting accuracy and costs. Additions of other counties, however, would cost approximately $350 per county.

Modification of tax rates charged from those used by Indiana could easily be undertaken at little, if any, additional cost. It would be extremely difficult to change the classification of a particular model car or truck without changing all model vehicles in the same classification. For example, to change the classification of a 1973 Chevrolet Bel Air 4-door sedan from 4 to 5 without changing all other cars classified as 4 would be impossible given the time, money, and personnel constraints. On the other hand, it would be a relatively simple matter to "collapse" the 10 classes used by Indiana to a system of any number of fewer classes. Thus, it is necessary that factory A.D.P. classifications used by Indiana be used in this study.

Finally, it may be possible to substitute state motor vehicle clerks for student research assistants. With the permission of appropriate supervisors and a minimum of training, such a substitution would save approximately $200, the amount budgeted for student living expenses in Deer Lodge.

APPENDIX B

_____ BILL NO. _____

INTRODUCED BY _____

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A VEHICLE EXCISE TAX IN LIEU OF OTHER TAXES AND ANNIVERSARY DATE REGISTRATION AS A CONDITION OF OPERATION OF CERTAIN MOTOR VEHICLES UPON THE PUBLIC HIGHWAYS OF THE STATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Definitions. As used in this act: (1) "Vehicle" means any motor vehicle as defined in section 53-104, R.C.M. 1947, subject to annual registration pursuant to Title 53, except:

(a) vehicles owned or leased and operated by the governments of the United States, of the state of Montana, and its political subdivisions;

(b) mobile homes and motor homes;

(c) vehicles registered in accordance with section 53-106.1, R.C.M. 1947;

(d) trucks exceeding a gross weight of eleven thousand (11,000) pounds;

(e) trailers, semitrailers, tractors, and busses;

(f) special mobile equipment as defined in section 53-642, R.C.M. 1947.

(2) "Mobile home" means a non-self-propelled vehicle

designed for occupancy as a dwelling or sleeping place.

(3) "Motor home" means a self-propelled vehicle having living and sleeping quarters designed and built as an integral part of the vehicle including that which is commonly referred to as a recreational vehicle.

Section 2. Imposition of license excise tax. (1) Effective January 1, 1976, there is imposed an annual license excise tax upon vehicles, which tax is in lieu of the ad valorem property tax and new car sales tax levied for state or local purposes, but in addition to any registration fees imposed on those vehicles.

(2) No vehicle, except vehicles in the inventory of vehicles held for sale by a manufacturer, distributor, or dealer in the course of his business, shall be assessed for the purposes of property taxation beginning with taxes for the year 1976, whether or not that vehicle is in fact registered pursuant to motor vehicle registration laws in Title 53.

Section 3. Basis for determining value. (1) As the basis for the imposition of the tax imposed by this act, the department of revenue shall determine the value of each vehicle as of the time it is first offered for sale as a new vehicle in the state of Montana. The department shall promulgate rules establishing uniform valuations using the "factory advertised delivered price" or "port of entry

price" or other uniform valuations as they appear in nationally recognized publications.

(2) In the event the department is unable to ascertain the value of a vehicle by the method in subsection (1) of this section, the department shall determine from information available to it the true cash value of the vehicle when new.

Section 4. Classification of vehicles. A vehicle shall be classified according to the value of the vehicle when new as follows:

	Value
Class 1	$ 0 - $ 1,499
Class 2	1,500 - 2,249
Class 3	2,250 - 2,999
Class 4	3,000 - 3,999
Class 5	4,000 - 5,499
Class 6	5,500 - 6,999
Class 7	7,000 - 8,499
Class 8	8,500 - 9,999
Class 9	10,000 - 12,499
Class 10	12,500 and over

Section 5. Amount of tax. The amount of tax imposed by this act shall be based upon the classification of a vehicle, as provided in section 4 of this act, and the age of the vehicle, in accordance with the following schedule:

YEAR OF MANUFACTURE	1	2	3	4	5	6	7	8	9	10
1st	$12	$36	$60	$96	$132	$168	$206	$246	$300	$400
2nd	12	30	51	84	114	147	184	220	268	345
3rd	12	27	42	72	96	126	154	186	230	300
4th	12	24	33	60	78	104	127	156	196	259
5th	12	18	24	48	66	82	101	128	164	220
6th	12	12	18	36	54	63	74	98	130	180
7th	12	12	12	24	42	49	60	75	104	149
8th	12	12	12	18	24	30	40	54	80	120
9th	12	12	12	12	12	18	21	34	40	60
10th and thereafter	12	12	12	12	12	12	12	12	12	12

A vehicle shall be taxed as a vehicle in its first year of manufacture throughout the calendar year in which vehicles of that make and model are first offered for sale in the state of Montana, except that a vehicle of a make and model first offered for sale in the state of Montana after August 1 of any year shall continue to be taxed as a vehicle in its first year of manufacture until the end of the calendar year following the calendar year in which it is first offered for sale. Thereafter, the vehicle shall be considered to have aged one (1) year as of January 1 of each

year.

Section 6. Time for payment of tax. The excise tax imposed by this act is payable for each registration year.

Section 7. Where vehicle is taxed. For the purpose of determining taxable valuations, each vehicle subject to taxation under this act shall be registered as being taxable in the county and taxing district where the vehicle is situate or usually kept.

Section 8. Reduction or credit for unused portion of the year. (1) The excise tax imposed on vehicles by this act may be reduced or credited as provided by this section on the basis of eight and one-half percent (8.5%) per calendar month.

(2) The tax due upon registration shall be reduced when a vehicle is registered for a period of less than twelve (12) calendar months upon its first registration in the state.

(3) When a vehicle is transferred the transferor, in whose name the vehicle has been registered, receives a credit for excise tax paid, based upon the number of months remaining in the registration period of that vehicle. The credit shall be computed based on the number of months remaining in the registration period of the vehicle. The credit is applied against the tax due on another vehicle registered by the credit-holder during the same registration

period. The credit expires at the end of the registration period in which it accrued. No cash refunds may be made on a credit.

Section 9. Duties of the department of revenue. (1) At the time a vehicle is registered for the first time in the state of Montana, the department of revenue shall classify the vehicle as provided by section 4 of this act.

(2) The department shall certify to each taxing jurisdiction the taxable value of vehicles in that district. For this purpose, the department shall consider the excise collected under this act to be property taxes collected at a rate equal to the levy imposed by the district.

Section 10. Duties of county treasurer. (1) The county treasurer shall collect the excise tax imposed by this act at the time a vehicle is registered. To determine the tax owed, the treasurer shall use the tax table prepared by the department of revenue.

(2) The county treasurer shall certify to the agent of the department of revenue in that county the total amount of taxes collected in each tax district to be used to determine the taxable value of the vehicles in the district in accordance with this act.

(3) The county treasurer shall credit all taxes collected under this act to the motor vehicle suspense fund and shall distribute these funds as provided in section

53-117.

Section 11. Effect on taxable valuation of political subdivisions. Vehicles subject to the excise tax under this act are taxable property within the tax district in which the vehicle is situate or normally kept. For the purpose of determining the taxable value in a district, the taxable value of vehicles certified to the district by the department of revenue in accordance with section 9 of this act shall be added to the taxable value of all other property taxable in that district.

Section 12. Anniversary date registration of vehicles subject to excise tax. (1) Notwithstanding other provisions of Title 53 regarding motor vehicle registration, commencing with the calendar year 1976, vehicles subject to the vehicle excise tax shall be registered for twelve (12) month periods based on the time they are first registered.

(2) There are twelve (12) registration periods, each of which shall start on the first day of a calendar month and end on the last day of the twelfth month from the date of beginning. The periods are designated, in accordance with the ending date, as follows:

(a) January 31, first period;

(b) February 28 or 29, second period;

(c) March 31, third period;

(d) April 30, fourth period;

(e) May 31, fifth period;

(f) June 30, sixth period;

(g) July 31, seventh period;

(h) August 31, eighth period;

(i) September 30, ninth period;

(j) October 31, tenth period;

(k) November 30, eleventh period; and

(l) December 31, twelfth period.

(3) A vehicle that has once been registered for any of the above-designated periods shall, upon reregistration, be reregistered for the period bearing the same number.

Section 13. Establishment of anniversary date of registration period - first registration. (1) A vehicle registered in accordance with the preceding section is subject to registration beginning in the month during which the vehicle was operated for the first time upon a public road in the state of Montana. The vehicle may be registered for a twelve (12) month period or any period less than twelve (12) months upon full payment of registration fees and pro rata excise taxes for the registration period.

Section 14. Transitional registration periods. (1) The registrar of motor vehicles shall establish a schedule of registration periods for vehicles subject to the vehicle excise tax in the calendar year 1976 that will stagger registrations into the twelve registration periods and in

roughly equal numbers. No transitional registration period may be less than twelve (12) months nor more than twenty-three (23) months in duration.

(2) Only one registration fee may be charged for the transitional registration period. The taxes shall be due for the entire period of the registration. The excise tax shall be paid for the first twelve (12) months of the registration period before the vehicle may be registered. The excise tax due on the remaining months of the transitional registration may be paid at the time the vehicle is registered or on or before January 31, 1977. Payment of the balance on or before January 31, 1977, is a condition of continued operation of the vehicle in Montana.

-End-

APPENDIX C

Summary of Public Testimony

Public testimony was solicited by the subcommittee at its July 1 meeting. Written testimony was requested and extensive written comments were received from many people. County treasurers were especially responsive. This appendix contains summaries of oral testimony presented at the subcommittee meeting, summaries of some written testimony, and copies of some of the written testimony.

Summaries of Oral Testimony

Bill Scribner, Attorney, Montana Automobile Dealers Association: The Association supported a bill in 1967 legislative session establishing staggered motor vehicle registration, a uniform fee system was also proposed at that time. Neither proposal could be implemented readily without the other. Staggered registration is principally feasible because of the crowded condition and confusion during the present 6-week registration time. A review of the taxing system is necessary. The uniform fee system is a more equitable taxation for everyone. You could set a minimum fee of $15 for vehicles 8 years old or older. Suggest getting an opinion from someone in the field of statistics to determine if a sampling of school districts would suffice to give assurance that the fee structure could be worked out so that the same amount of money would be produced.

Dennis Burr, Administrator, Property Valuation, Department of Revenue: Department has no opposition to fee system or staggered registration. Subcommittee should consider putting these responsibilities under the supervision of the Registrar of Motor Vehicles. Their records would accommodate a cheaper way of operating this system. Suggest that the registration of older cars be taken care of by billing through the mail to avoid long lines in the county courthouse. Burr also said it would be difficult to raise the same amount of money on a fee system. If a fee brings in the same number of dollars, this does not come into the county tax base. This would have an affect on the salaries of county employees and the quality of school bonds. The local mill levies should still stay in counties if possible.

Malcolm MacCalman, Chief of Registrar's Bureau, Motor Vehicles Division, Department of Justice: It would initially cost about $800,000 to computerize all of the motor vehicle information and about $200,000 annually for upkeep. Approximately 50% of all registrations could be taken care of by mail. The Idaho system is very simple and people are satisfied with the system. The registration date in Idaho is based on the last digit on the license number over a 10 month period. The title transfer fee will probably have to be raised from $1 to $2. There are

approximately 650,000 vehicles registered in Montana. Data processing would possibly eliminate about 50% of the clerical work done now in the county treasurers' offices.

Johanna Bricker, President, County Treasurer Association, Fergus County: The smaller (lesser populated) counties are not concerned about registration and prefer leaving the system as is. No county can afford to lose their valuations so they must receive the revenue. If the registration is done at Deer Lodge, perhaps people could continue to pay their taxes in their own counties.

May Jenkins, Treasurer, Yellowstone County: The typing of all required information on cards is a very time consuming process. About 8,500 registrations were done by mail last year.

Mary Westermark, Treasurer, Toole County: Additional help is not hired during registration time. Data processing would be a good idea. Each county could take care of transfers and new cars -- the state could take care of renewals. Bills could be mailed by state from renewals which could be paid in person at the county treasurer's office or by mail.

Sophie Cahill, Treasurer, Missoula County: Staggered licensing would cause a problem for space since they have four windows to take care of the public and it would not be possible to dedicate one window all year just for licensing. There is no room for expansion. Suggest using the mail in January for renewals.

George Schroeder, Treasurer, Cascade County: A revision of titling law is badly needed. The "sticker" system does not work effectively for 10-day system. Dealers give the stickers out to customers and they just keep on giving them out. If a customer borrows money from a private source or loan company and then pays the automobile dealer cash, the dealer sends the papers to the treasurer and they are ready to be processed. Then often the loan company comes in and informs the treasurer that a contract is to be filed on the automobile. Cascade spends $100,000 each year, to license automobiles, for salaries, maintenance and operation.

Ruth Baenen, Assessor, Lincoln County: Small school districts will have to receive the same valuations. Water districts, fire districts, etc., are very dependent upon this money. Jury lists are based on all taxpayers. Staggered system would require extra help all year round.

Paul Grammons, Chief Deputy Assessor, Yellowstone County: If the staggered system is used, about half of the taxes would be carried over to the next year. Some school districts would be hurt by this.

Sarah Foster, Assessor, Meagher County: The biggest concern is the loss of valuations of motor vehicles which is about 25% of the county's total valuation. All levies are at maximum of the law now. The staggered system could be lived with except that

about half the valuations would not be collected the first year. This would affect bonding of schools, city buildings, etc.

John Cadby, private citizen, former Manager of Automobile Dealers Association: Titling laws need updating. Uniform fee and staggered registration systems were implemented in Indiana and have worked very well. It generated more money for counties than anticipated. All this money should go to counties to replace loss of personal property taxes.

Ray White, Assessor, Gallatin County: Large truckers must purchase their GVW in January and if staggered registration was used the dates would not correspond, making two trips to the courthouse. It is not necessary to hire any additional help to register 30,000 vehicles in Gallatin County. About $1,075,000 is raised by motor vehicles. The schools get 70% of this amount. The typing of every registration card is a big problem. The computer system would be of considerable help. You could use a plastic card to run through a hand machine instead of typing all the information. The fee system is not set up on the school district system. Rental cars are now going through the state instead of the county.

Summaries of Written Testimony

Marjorie Knaus, Lake County Treasurer, was in favor of a statewide uniform fee system of taxation operated at the state level, but she believes that if the present system of typing all registrations is to continue it would be a worse bottle-neck than it is now. A machine system operated by the state should be used.

Margaret Temple, Dawson County Treasurer, also would favor staggered registration if it was run by the state.

George Schroeder, Cascade County Treasurer, would like to see the entire registration be performed by the state by mail.

Helen Grey, Meagher County Treasurer, suggested that the Registrar of Motor Vehicles should handle the registration, but warned that county valuation must be protected.

June Thayer, Sanders County Treasurer and Katherin Koch, McCone County Treasurer, liked staggered registration as long as the taxing process remained local.

Na Dean Russel, Flathead County Treasurer, favors a mail order registration system.

Orval Swenson, Blaine County Treasurer, liked staggered registration on a mail order system depending on the type of tax structure.

Katherine Watson, Phillips County Treasurer, recommended no

changes be made as the extra load in January is not an undue burden and she did not think the taxpayers in smaller counties should help carry the tax load of larger counties.

Marion Goulet, Valley County Treasurer, favored staggering registration based on the owner's birthdate but not taking licensing from the counties.

Ann Carroll, Powder River County Treasurer, thought staggered registration would have little effect in her county but definitely suggested keeping the tax collection function in the counties.

Dorothy Stabler, Custer County Treasuer, thinks the uniform fee would be a good idea if the money is collected in the county. She is opposed to staggered registration.

Carl Seltzer, Cascade County Assessor, recommended adoption of a uniform statewide mill levy and staggered or anniversary date licensing system for the following reasons:

1. Convenience to vehicle taxpayers; eliminates the hectic rush to the county offices during the period of January 1st and February 15 of each year. Prevents the possibility of forcing taxpayers to stand in long lines and spend hours in the process of buying the license as is customary in large counties.

2. Conserves the funds of local governments by eliminating the need to hire additional manpower, to rent additional space and telephone equipment and avoids to a great extent the possibility of making costly errors in computation of taxes.

3. Permits more effective use of the regular staffs of people employed in county offices by providing an even flow of license customers throughout the twelve months of the year.

4. Regulates the problem of vehicles being licensed in counties other than that of domicile. This plan offers no incentive to taxpayers to buy license plates and pay taxes in counties where lower mill levies are used.

5. Assures the twelve month continuity of vehicle purchasing practices by satisfying tax requirements for a full twelve month period after purchase.

The annual convention of the Montana Association of Counties adopted the following policy:

"SJR 22 has been selected for study by the Committee on Priorities dealing with motor vehicle registration and taxation. The intent of the resolution is to provide a system of anniversary registration and a flat-fee system of

taxation of motor vehicles. The Montana Association of Counties supports a staggered system of vehicle registration to provide a steady workload for county employees. However, we oppose the removal of motor vehicles from the present property tax system of basing taxes on value until an adequate replacement for the required revenue is developed. The present system allows for a certain inflation rate which must be included in any new method of taxation."

Copies of Written Testimony

The Registrar of Motor Vehicles and the Montana Automobile Dealers Association presented extensive written testimony that is included here.

Registrar of Motor Vehicles, Malcolm MacCalman, Chief

The Department of Justice under the Attorney General is most interested in those matters considered in Senate Joint Resolution No. 22. The department has under consideration revision of the motor vehicle code to the end that the code will be modernized and brought into a cohesive, unified entity eliminating the numerous ambiguities and various uncertainties evident in the existing code. Modernization of the code would provide changes necessary to institute data processing for automobile licensing. By the use of data processing techniques the considerable delays suffered by the motoring public between January 1st and February 15th of each year would be greatly reduced as approximately 50% of the registrations would be completed by the pre-registration process. The remaining 50% would not be covered due to transfers of title, etc. Data processing would enable this office to prepare registration receipts and mail the same in November or December of each year or in the month preceding re-registration if a staggered system is adopted. The registration receipt would contain all the necessary data and would be validated at the time the fees were paid and the license plates issued. Data processing would also make available on an immediate basis all the registration data as required by the various boards, bureaus, and departments that have a legitimate interest in such statistics as well as making registration data immediately available for law enforcement agencies. Computer facilities of the highway department are available for this purpose.

Under the present non-staggered manual system the bulk of the registration data is not fully assembled in appropriate files until the latter part of June of each year. This is due to the fact that the large volume of registration receipts received in the first two to three months of the year numbering approximately 500,000 must all be sorted and checked against the registration receipts issued for the preceding year to verify the correctness of the data. About 85% of the registration is completed by the end of June each year with the remaining 15% spread over the remainder of the year. The federal government by regulation is

insisting that the traffic records of each state be integrated into a unified system.

The re-registration process would be simplified and accelerated by adoption of a uniform fee schedule in lieu of our present tax structure. The necessity for determination of value of each vehicle by the assessors' offices would be eliminated and the computation of fees payable on registration could be routinely determined by this office in preparation of pre-registration certificates and by the county treasurers in validating and/or issuing registration certificates. It should be noted in passing that if such an in-lieu of taxes fee schedule were adopted that credit for valuation figures should be made to the several counties' taxable valuation figures which are used as a basis for determining county salary levels for elected officers (see section 25-605, R.C.M. 1947).

The department also favors a staggered licensing registration system whereby passenger cars would be registered on a ten month basis. The month of re-registration for each applicant would be determined by the last digit of the license plate in use at the time the system is adopted. For example, plates ending in the digit "1" would be re-registered in the month of January, plates ending in the digit "2" would be re-registered in February, etc. Attached is a copy of the instructions explaining the staggered system sent out by the Idaho Motor Vehicle division to the Idaho county officials. A staggered system together with computerization of the registration certificates would eliminate the present waiting lines and delays suffered by the motoring public under the present system.

Briefly the department deems it desirable to amend or revise the provisions of chapter 53, R.C.M. 1947 to provide authority to:

(1) issue license plates on a staggered basis - preferably using the Idaho system;

(2) issue registration receipts in advance of the renewal date; these would be validated at the time when plates are issued and fees paid;

(3) permit all applications for duplicate titles, for transfers of title and for new titles to be mailed directly to the Registrar of Motor Vehicles for processing. This would relieve the counties of the bulk of paper handling in motor vehicle administation;

(4) substitute a uniform license fee schedule for the present taxing structure;

(5) issue license plates from this office at the option of the registrant;

(6) increase fees for issuance of titles to $3 with the added $1

fee to be paid to this office. Under the existing law our office receives $1 for each title issued. This fee has remained unchanged since 1917 as far as revenue by this office is concerned. This would provide additional revenue of about $250,000 per year;

(7) repeal the annual fifty cent fee for reflectorizing license plates; substitute a flat one time fee of $1 for each pair of plates issued. Presently it costs 78¢ a pair to manufacture each set plus four cents for each pair of tabs. In the future tabs will bear a serial number which will double the cost of tabs. Under the present fee schedule this would result in a loss of approximately $516,057 over a five year period. If the fee received by this office for original titles was raised to $2 the loss would only be approximately $36,057. If the fee for transfers was also raised to $2 to this office the net fees would increase about $900,000 over a five year period. The increase would pay for the installation and operation of data processing.

Montana Automobile Dealers Association

MEMORANDUM ON STAGGERED REGISTRATION AND UNIFORM LICENSE TAX from Jerry Raunig, Executive Vice-President, Montana Automobile Dealers Association

The present system of registering all vehicles in Montana during January 1 - February 15 of each year presents many problems, not only to the public, but also to auto dealers who are in the business of selling these vehicles. The current system also causes considerable additional expense to those counties who sell these licenses and register these vehicles.

Our research in recent years indicates that a staggered licensing system and a uniform fee taxing system go hand in hand, and certainly compliment each other for an effective registration system. Present property taxing of motor vehicles does not readily adapt itself to staggered registration because, among other things, there is a single yearly assessment date prescribed by law. Other states have found that these problems are solved by simultaneous conversion to a uniform fee system which will produce revenues as great as those generated by property tax. We strongly urge the consideration of these two changes in one piece of legislation.

A staggered licensing system, that is, the license being good for a twelve month period, regardless of when the vehicle was purchased, would serve to benefit the people in Montana in the following ways:

#1 - It would eliminate the delay we now have in getting titles transferred, applications for titles processed, and anything else that has to go to the Registrar's office in Deer Lodge

during the present rush months of January, February, and March.

#2 - Christmas bills, income tax, and licensing the car or truck all come due at approximately the same time, and this certainly has a bad impact on sales during these months.

#3 - Particularly in the larger counties, people stand in line for as many as six or seven hours to secure license plates.

#4 - Many people will not buy a new automobile or truck late in the year, as they are aware the new car sales tax and the property tax combined are a lot greater than holding off until after the first of the year. As a consequence, many times the dealer is asked to break the law by either allowing Dealer Plates to be used, or extending the ten day sticker requirements. If the dealer succumbs to this pressure, not only the dealer, but also the buyer, is in violation of the law. Staggered registration would stop this.

#5 - The County Assessors and Treasurers should like this system, as it smooths out their work load over twelve months, rather than practically all of the work coming in during January and half of February.

#6 - Several states now have a system of staggered licensing, and they would not think of going back to the old system, such as we are using.

#7 - If enacted, a staggered registration system would be very easy to administer, after the first year.

The present system of taxation of motor vehicles in Montana is cumbersome and discriminatory, in that a sales tax is imposed during the first year on new motor vehicles in lieu of property tax and thereafter, property taxes are imposed at rates which vary from taxing district to taxing district, depending on the mill levy for each district.

This system results in drastic variations of rates of property tax on such vehicles, depending upon the place of residence of the owner of the vehicle. The law provides that vehicles must be registered in the county of the owners' residence. These legal requirements are difficult to enforce and often disregarded. There are extreme discrepancies among the taxing districts which encourages the owner to register his vehicle in counties or taxing districts imposing a low mill levy. This form of tax evasion is of sufficient frequency to confuse and trouble the Highway Patrol, other law-enforcement agencies, and taxing units. Motor vehicles are peculiarly adaptable to this type of tax evasion because of their mobility.

No justification exists for these discrepancies in the case of motor vehicles, which are transitory in nature, and which

should be assessed on a uniform basis so that they bear their proportionate share of the costs of governmental protection in the counties, cities and towns through which they are driven.

Arguments in favor of preserving territorial discrepancies in property taxation fail in the case of motor vehicles. Real estate and ordinary personal property is fixed, and should bear their fair share of the cost of financing local government and school systems where the property is located. Motor vehicles have no fixed location, and enhance the cost of government whereever they are propelled. The present system of taxation constitutes a continuing source of encouragement to the owners of motor vehicles to register the same in taxing districts other than their places or residence, for the purpose of unlawfully avoiding high rates of taxation and there is no practical means of preventing this type of evasion under our present system. To the extent that vehicles use the streets and alleys of cities and towns, they add to the cost of street construction and maintenance, police protection, and incidental municipal services.

A uniform license fee system in lieu of personal property taxation, providing corresponding overall revenue to the taxing districts in the state would eliminate all of the aforementioned deficiencies in the present tax system. These inequities could be eliminated without depriving the counties, cities and towns of the state of the necessary revenues for support of government, by the replacement of the present sales and property taxes on motor vehicles with a uniform license fee, based upon the value of the vehicle for distribution to the taxing districts of the place of residence of the owner of the vehicle.

These proposed changes in the laws of Montana are of particular interest to car and truck dealers. They would eliminate the temptation for a purchaser to falsify his residence, plus avoiding implication of the dealer in an unlawful registration. Secondly, the present system discourages sales of motor vehicles in the last three months of any calendar year, in that most buyers are aware they will have to pay substantial taxes at the first of the following year.

Our research of several years on this matter indicates that of the several states who now use a system of staggered registration and uniform fee system on motor vehicles, the state of Indiana has a very workable system which could be used as a guide line and be very adaptable to our situation in Montana. This system provides for a classification of all vehicles subject to annual registration. As a basis for measuring the tax, a determination is made of the value of the vehicle as of the time it is first offered for sale as a new vehicle, using the "Factory Advertised Delivered Price" of "Port of Entry Price".

In addition to classifying all motor vehicles as to "Factory Price" value, the system takes into consideration the age of the vehicle. The system uses eight years, as this is the average life

of a motor vehicle according to national statistics. In other words, vehicles eight years old and older pay only the minimum yearly tax.

In order to implement a system of staggered registration, we respectfully suggest a system using the sale date of new vehicles as the date for a twelve month registration, regardless of when the vehicle was purchased. Secondly, we suggest a system using the first letter of the last name of the registrant for re-registration on used vehicles. In addition, we suggest that the Registrar of Motor Vehicles (or other registering agency) be given the authority to register or re-register a vehicle for more or less than a twelve month period, but not to exceed 18 months, pro-rating the annual license tax, when in his opinion, such proration tends to fulfill the purpose of the monthly registration system, (this would tend to even out the work load of the registering agency over the full twelve month period).

In conclusion, may we say that it is not the purpose of these proposals to reduce any tax revenue presently received by any taxing authorities, but that the imposition of a uniform fee system would serve to replace our current, cumbersome sales and property tax on motor vehicles, and overall revenues will not be reduced.

The Montana Automobile Dealers Association respectfully submits this information and hopes that it is helpful to the members of the Committee. If we may be of further assistance in the way of testimony or research, please advise.

State of Montana
Office of The Governor
Helena 59601

THOMAS L. JUDGE
GOVERNOR

October 10, 1974

Mr. Bob Person
Legislative Council
State Capitol

Dear Bob:

On July 24, 1974, I received a letter from you in which you requested that I clarify my position on the need for a uniform license system and a staggered registration system for motor vehicles. My position on these subjects is as follows:

First, I support the enactment of a staggered registration system if it is implemented over a period of two years to minimize the cash flow impact on local governments.

Second, I support the enactment of a uniform fee for automobile registration if such a proposal would maintain the current revenue levels for county governments or be offset by some other revenue source.

I hope that I have satisfactorily answered the questions contained in your letter.

Sincerely,

THOMAS L. JUDGE
Governor

PRINTED ON RECYCLED PAPER

APPENDIX E

SENATE MEMBERS
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MRS. DIANA DOWLING
DIRECTOR, LEGAL SERVICES
AND RESEARCH
MRS. ROBERTA MOODY
SUPERVISOR, ALTER SYSTEM

October 8, 1974

COPY

Representative Robert D. Watt
Chairman, Subcommittee on Taxation
451 Kensington
Missoula, Montana 59801

Dear Representative Watt:

The Legislative Council has discussed your request of September 30, 1974 for authorization to fund a research proposal by Dr. James E. Nelson and for authorization to conduct a fourth meeting upon conclusion of that study. Upon a motion by Representative Bardanouve seconded by Representative Marks, the Council has unanimously denied the request.

So that you might understand the basis for this denial, I want to mention some of the committee discussion we had. First, Bob Person related the subject matter of SJR 22 and the work your subcommittee has done up to now. The members of the Council were interested in the nature of the tax system proposed in the bill that was drafted for you and this was discussed. The Council then concerned itself with whether more money spent on this study would be money well spent. There were several areas of concern.

The Council members felt that this was a very controversial area for local governments, legislators, and taxpayers. As such, the members were not convinced your subcommittee had as yet taken decisive action to determine that the system of taxation on cars should be changed at this time.

Another concern expressed was that a study of only three counties would be insufficient to accurately predict the effect of such a tax. It was not felt there was either the time or money to authorize a complete study at this time.

Based on discussion of these points, the Council determined that short of a decisive recommendation on this type of tax from your committee a study of the type proposed would be very unlikely to support a successful bill in the Legislature. Whereas future

legislative interest in presenting a bill to establish a uniform tax system on vehicles might develop and require a very detailed study of all Montana counties, an expenditure for a partial study at this time could not be justified.

Sincerely,

SENATOR CARROLL GRAHAM
Chairman, Legislative Council

CG:dw

cc: Subcommittee on Taxation

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